

Attachment 2

blue shield of california proposal for 2008 CalPERS HMO high performance network (hpn)

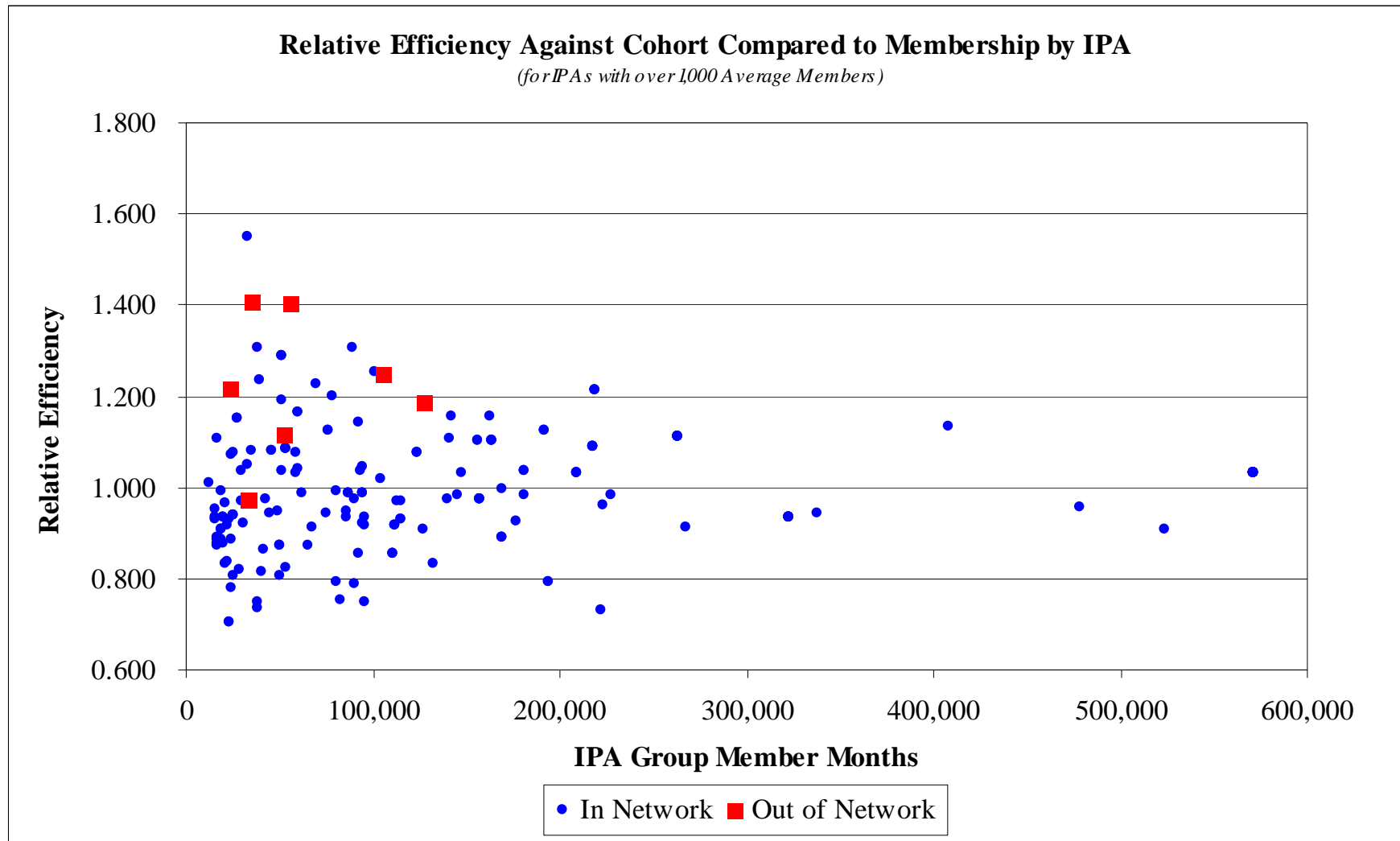
presented to the Health Benefits Committee
on April 17, 2007

background

provider network evolution

- Evolution began in 2005 with implementation of a smaller hospital network
- Focused now on significant differences in physician practice patterns and the wide variation in relative IPA efficiency
- Evolving design centers on efficiencies within physician networks

provider efficiency varies widely



blue shield of california's proposal

high performance network meets key success criteria across the board

	Higher Efficiency Providers and Premium Savings	Maintain Access and Quality of Care	Influences Member Selection	Reasonable Chance of Receiving Regulatory Approval	Provider Acceptance
HPN	✓	✓	✓	✓	✓

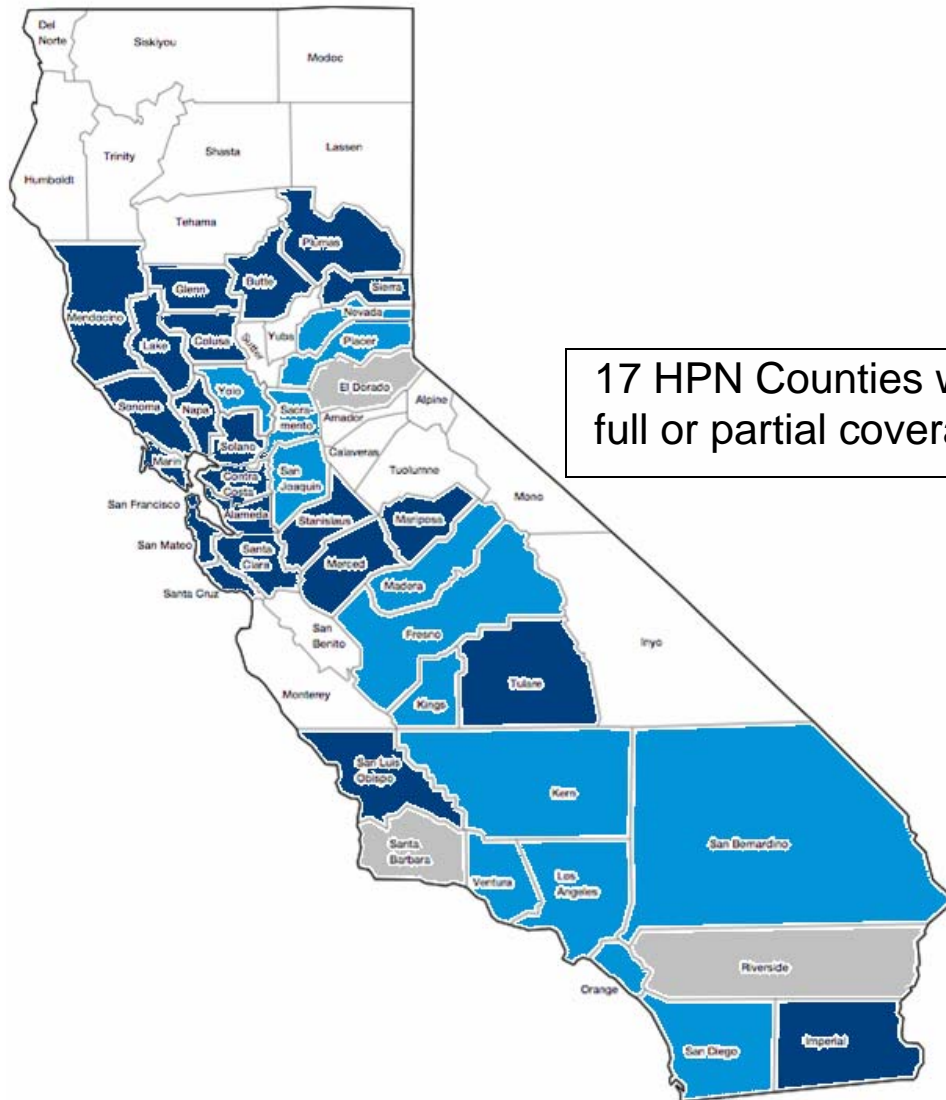
quality overview

parameters of bsc quality model

Areas Evaluated	<ul style="list-style-type: none">• Clinical: 7 publicly reported Integrated Healthcare Association (IHA) Pay for Performance (P4P) metrics• Patient Satisfaction: 5 publicly reported IHA P4P metrics• Grievances, appeals, and complaints: 1 composite metric per 1,000 patients
Criteria	<ul style="list-style-type: none">• Provide data for all groups summarizing their results• Exclude an IPA if it fails to meet threshold in <u>each</u> of the 3 areas• Flag groups for targeted outreach that fail to meet standards in 2 of the 3 areas

hpn network overview

hpn coverage overview



17 HPN Counties with full or partial coverage



= HPN HMO Counties

Fresno, Kern, Kings, Los Angeles, Madera, Nevada, Orange, Placer, Sacramento, San Bernardino, San Diego, San Joaquin, Ventura, Yolo



= HPN HMO with Partial Coverage Counties¹

El Dorado, Riverside, Santa Barbara



= Extended Network Counties only

Alameda, Butte, Colusa, Contra Costa, Glenn, Imperial, Lake, Marin, Mariposa, Mendocino, Merced, Napa, Plumas, San Francisco, San Luis Obispo, San Mateo, Santa Clara, Santa Cruz, Sierra, Solano, Sonoma, Stanislaus, Tulare

¹HPN HMO with Partial Coverage Counties is where less than 75% of CalPERS membership has access to HPN

hpn access: a detailed analysis

- BSC performed a comprehensive review of access, drilling down to the city level to determine which CalPERS members have an HPN alternative
- The DMHC rule of 15 miles or 30 minutes was considered in performing the analysis
- To ensure sufficient capacity, BSC contacted each of the HPN provider groups and determined all HPN provider groups have enough capacity to handle potential CalPERS member migration.

hpn physician coverage

IPA / Medical Groups (221 IPAs in 17 Counties)		# of Physicians in HPN		
# of IPAs in HPN	Network IPAs in HPN Counties	Physician Type	Physician Count	% of Physician Network in HPN Counties
81	37%	Primary Care	6,100	50%
		Specialists	11,700	49%
		OB/GYN	1,100	49%

over half of CalPERS blue shield members will have hpn choice

Membership Spread

Total BSC Membership	Members Currently Seeing HPN Providers		Members with Potential to Migrate to HPN Providers		Total Members with HPN Choice	
	Number of Members	% of Total Membership	Number of Members	% of Total Membership	Number of Members	% of Total Membership
389,000	125,000	32%	77,000*	20%	202,000	52%

**Includes 14,000 members who can move to HPN IPA and keep their current PCP*

hpn premium impact

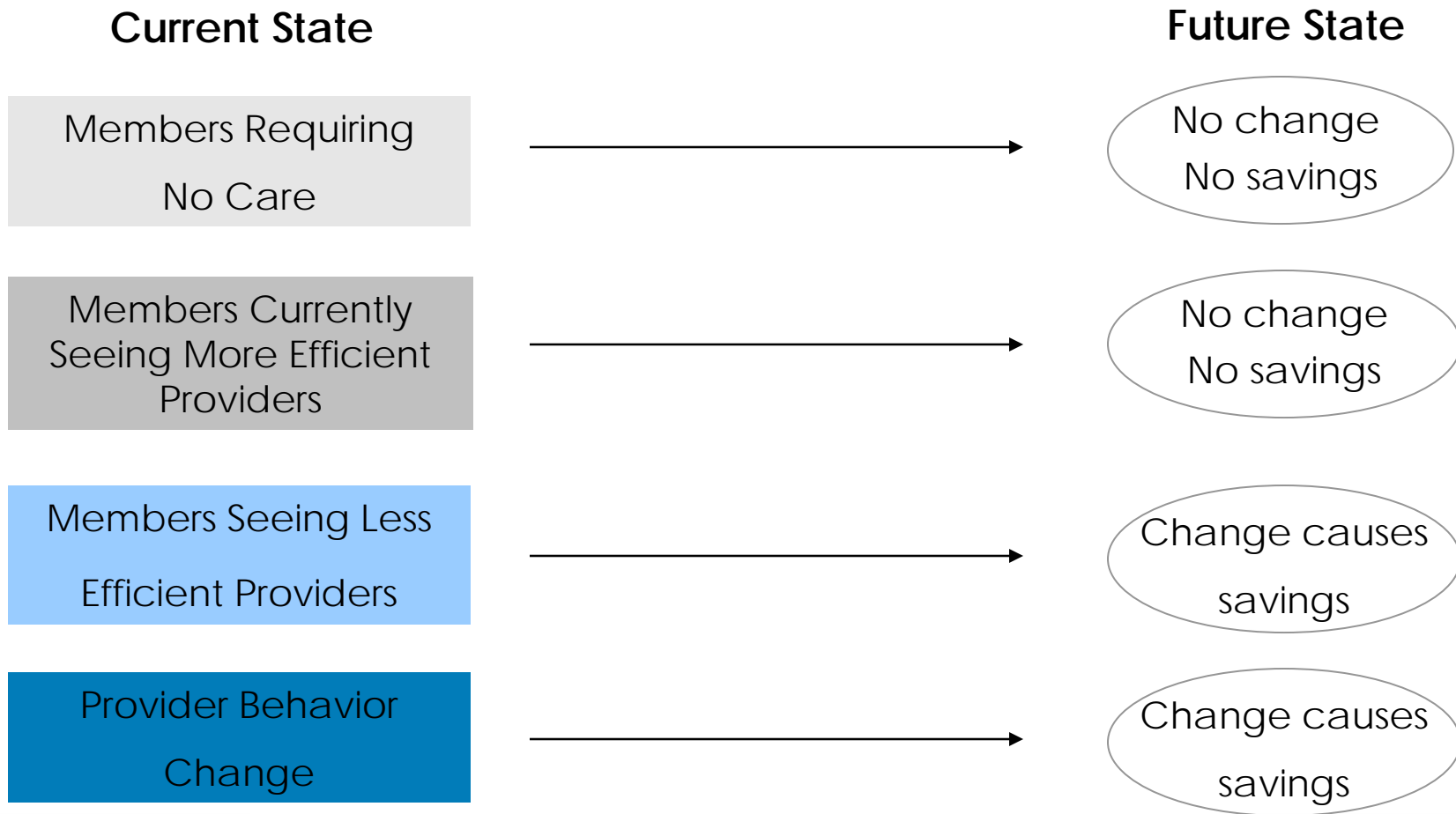
significant premium reduction identified for hpn

% of Premium Differential		
Membership	HPN vs. 2007 Premium	Extended vs. 2007 Premium
State	-6 to -9%	4 to 6%
Region 1 (Bay Area/ Sacramento)	-5 to -7%	2 to 4%
Region 2 (Los Angeles)	-5 to -7%	2 to 4%
Region 3 (Other SCA)	-5 to -7%	2 to 4%
Region 4 (Other NCA)	n/a	n/a
Basic Composite	-6 to -8%	3 to 5%
Medicare	-6 to -8%	3 to 5%

member migration and savings

how savings are generated

“Savings” only occurs when members shift to receiving care from more efficient providers or pay more to continue seeing less efficient providers.



summary

hpn delivers considerable member choice and significant savings

- Offered side-by-side with current network with over half of Blue Shield CalPERS members having an hpn choice
- Delivers significant premium savings for members choosing hpn
- Maintains current quality standards